



# **Defense Logistics Enterprise Transformation**

*Presented to NDIA Logistics Conference*

**14 March 2002**

USD (AT&L) memo 13 February: Quadrennial Defense Review “mandated implementing performance based logistics and modern business systems with appropriate metrics to compress the supply chain, eliminate non-value added steps and improve readiness for major weapons systems and commodities”.

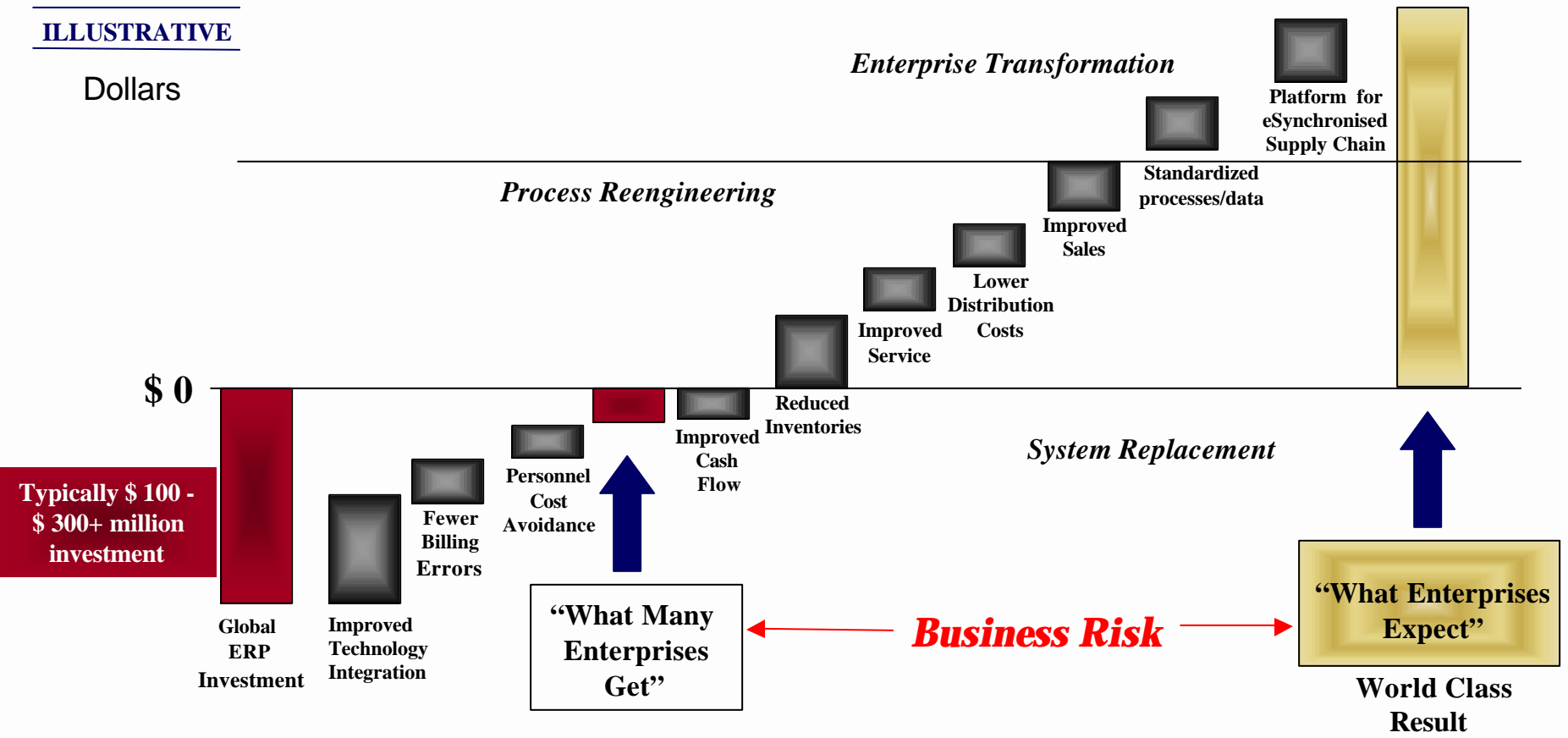
We have spent a number of years analyzing how the military services and DLA can improve supply chain performance with the goal of increasing readiness while reducing costs – in other words....

***Better service... at lower cost...within current budget constraints!***

**— The Value Creation Disconnect —**

ILLUSTRATIVE

Dollars



- **Performance Objectives/Definition of Success**
- **Strategic Partnership/Performance Based Contract**
- **Commitment and Leadership from the Top**
- **Recognition that Change Management is The Challenge**
- **Undertake BPR at Enterprise Level vs ERP Level**
- **Adopt vs Adapt**
- **Deployment Strategy - 1st Increment Functionally Broad**
- **Infostructure Bundled with Business Solution**

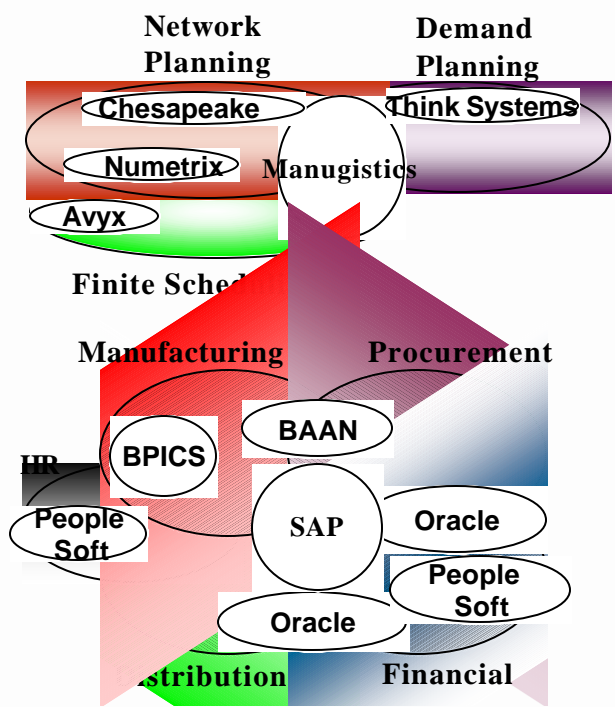
## ***BSM – A Successful Transformation Model***

**DLA defined business outcomes – 100% tied to contractor payments**

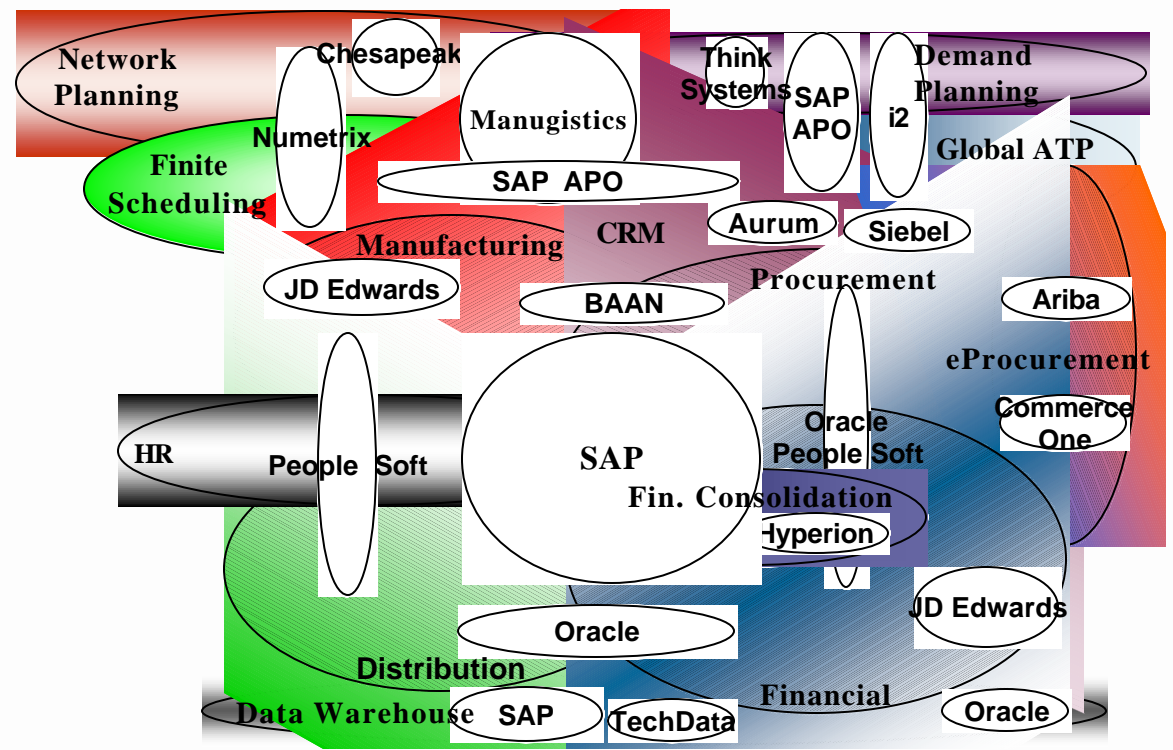
- **Vice Director (RADM Archer) fully engaged and driving Modernization Executive Board consisting of Flag/SES stakeholders**
- **BPR Phase – addressed all supply chain functions across enterprise**
  - **Customer segmentation**
  - **Customer facing organizational design**
  - **Customer facing performance metrics**
- **Using best practices to transform to commercial business processes enabled by leading COTS products (SAP, Manugistics, PD2) – *no mods to COTS***
- **Release 1 is >80% functionality to 5% of users**
- **Production data center/help desk in scope, performance metrics**



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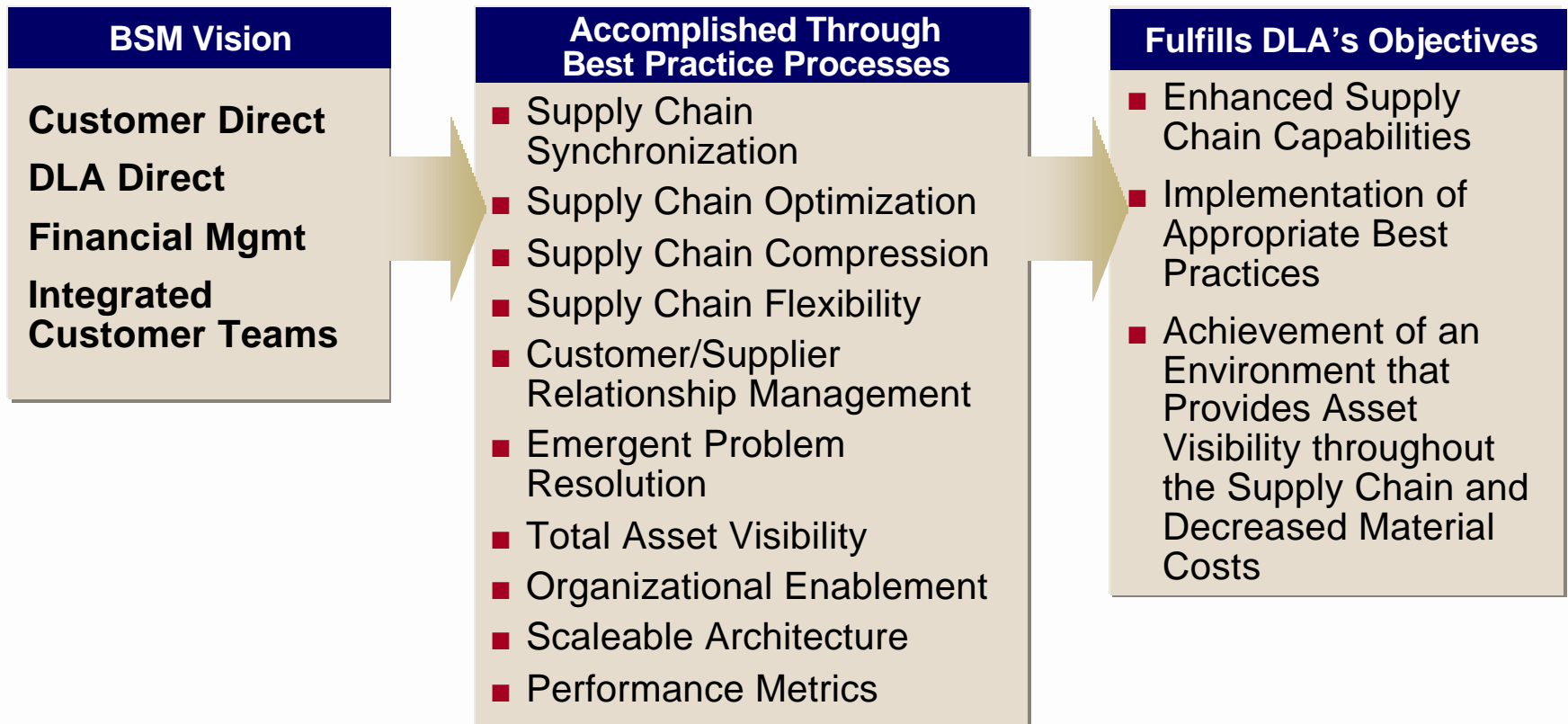


2002



*The market for COTS ERP/SCM and 'bolt-ons' is ever changing at a rapid pace*

***Solicitation stated performance objectives and then asked bidders to select solution components...***



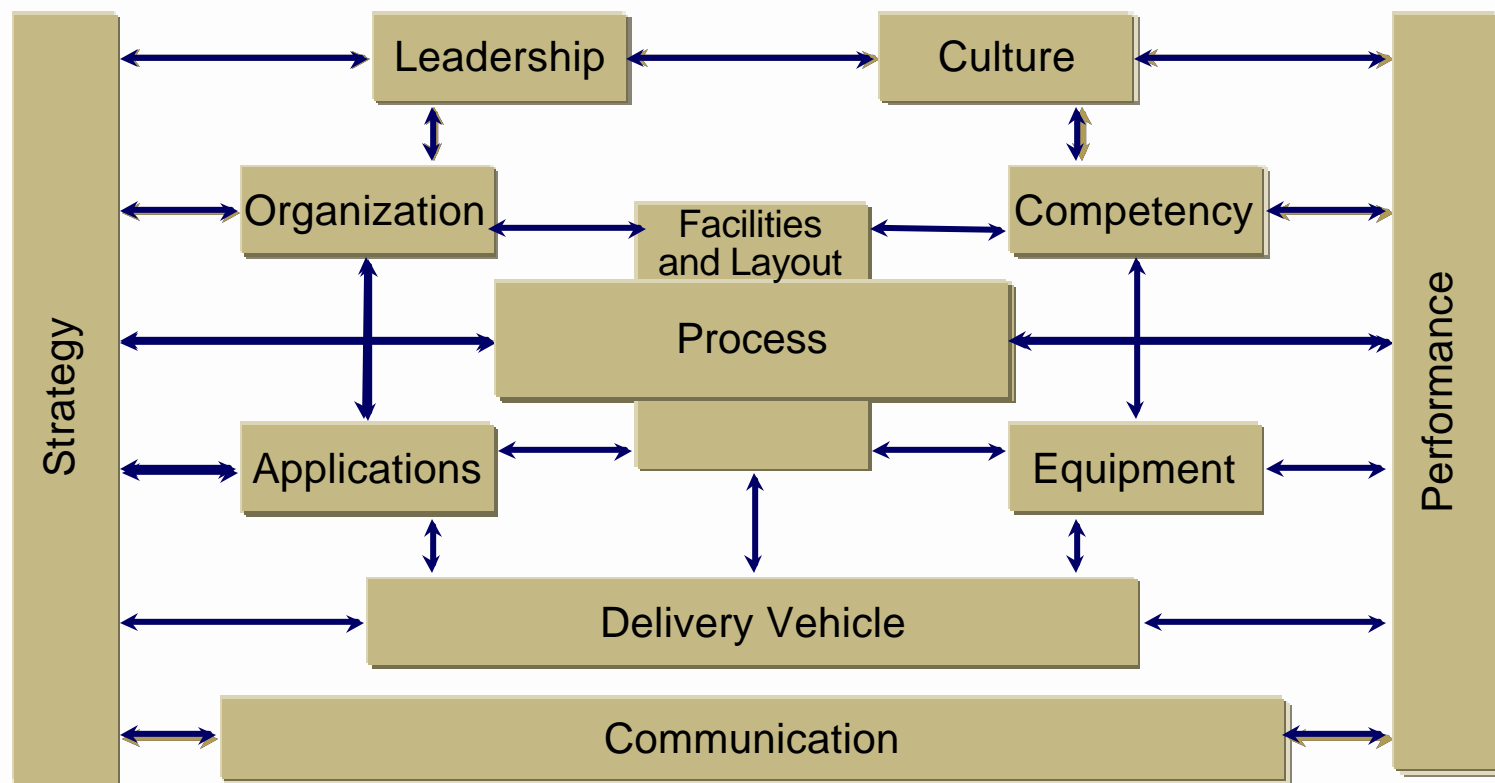
*... and determine degree of risk-sharing.*

KPP	Metric	Task Order										
		1	2	3	4	5	6	7	8	9	10	11
Interoperability	■ IER Matrix Compliance		✓					✓				
Customer Satisfaction	■ Customer Satisfaction Rating								✓	✓	✓	✓
Affordability	■ Supply Chain Management Costs as a % of Sales	✓	✓			✓	✓	✓				
	■ Inventory Turns	✓	✓			✓	✓	✓				
Sustainability	■ Aggregate Supply Availability	✓	✓			✓	✓	✓	✓	✓	✓	✓
Percent of Primary Scope Price		10%	22%	0.3%	0.5%	19%	10%	11%	3%	7%	8%	10%
Percent of Price tied to top-level KPPs		69%	91%	0%	0%	94%	92%	84%	100%	100%	100%	100%

***We tie over 90% of the primary scope price to DLA's top-level performance parameters***



## Business Architecture Blueprint

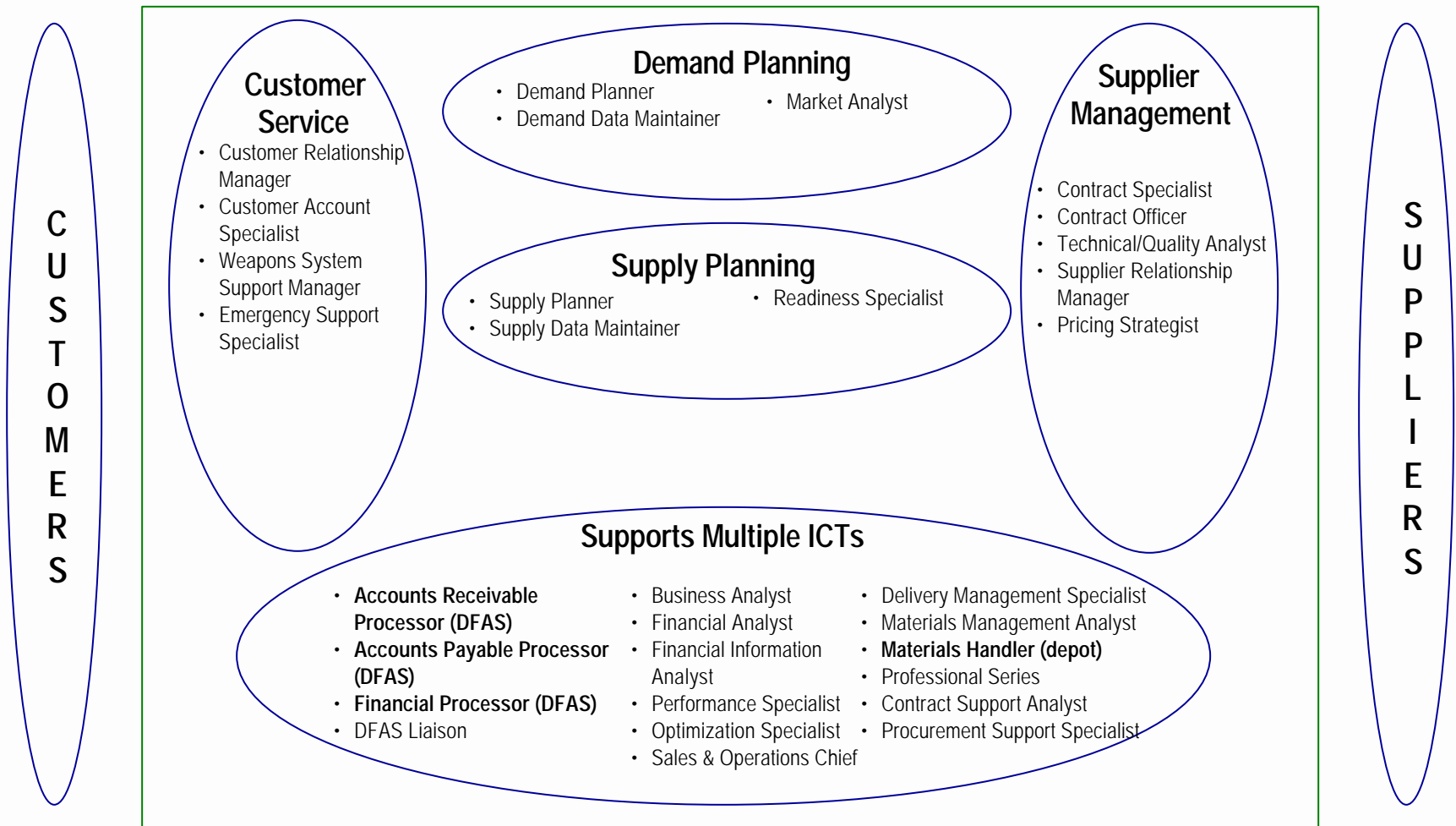


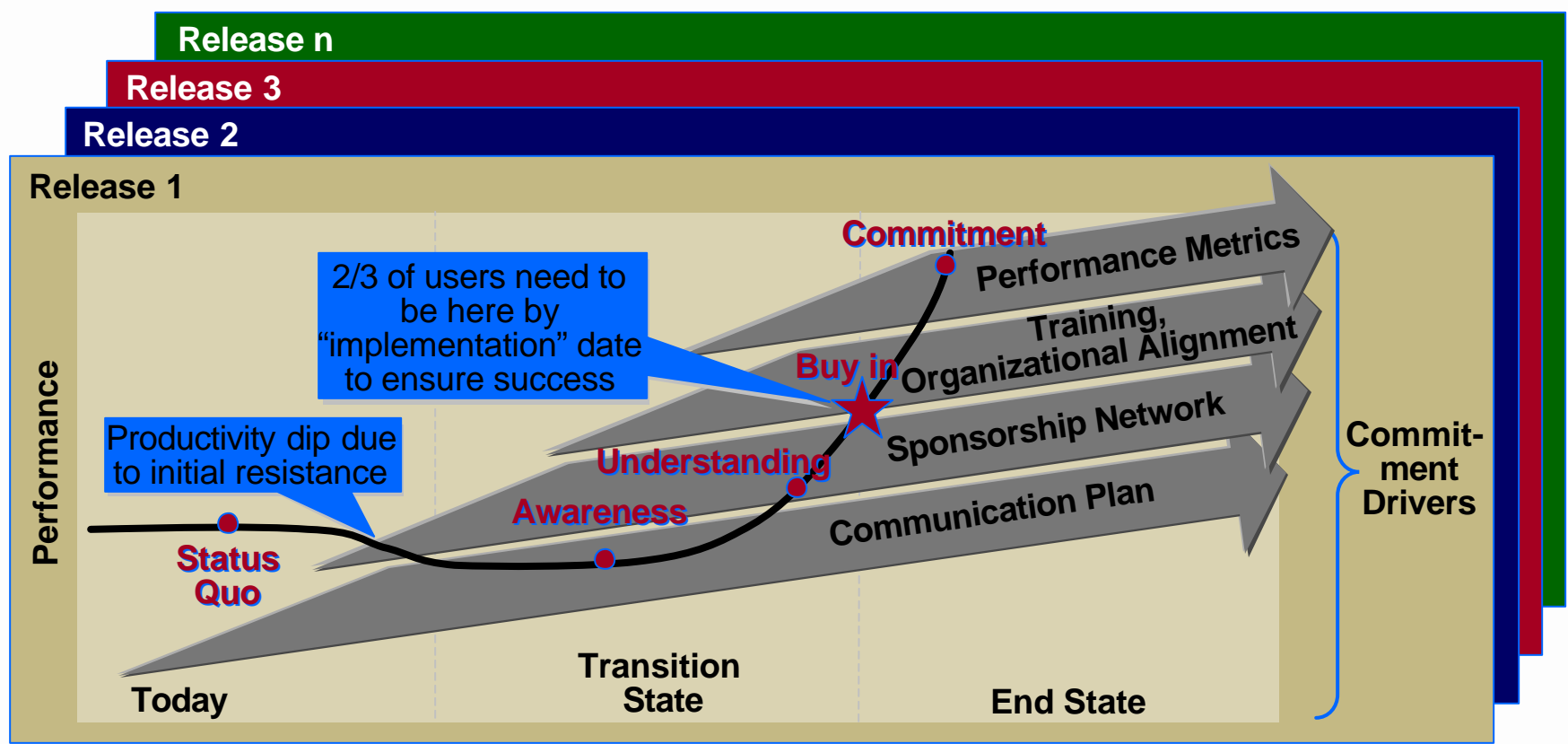
*We are using a proven process to successfully achieve enterprise transformation*

Simulation is a powerful technique that can be used to:

- **Prototype and validate business cases** by creating a dynamic model of existing or proposed processes to evaluate the characteristics and behavior of those processes under various operating conditions and by simulating demand for those processes.
- **Mitigate process performance risk** through experimentation with new processes before building and implementing them.
- **Assess process sensitivity** by understanding how various activities within processes interact and how changes will affect overall performance.
- **Promote group understanding** and buy-in through the use of rigorous analysis and the compelling animation of a dynamic process model.
- **Promote better decision making** from an increased understanding of the business environment.

## Integrated Customer Team (Notional) – A Major Transformation





***Our experience indicates that 2/3 of users need to be at the buy-in level at the time of implementation to succeed***

- Release 1 is 80% functionality for 5% of users, across all locations
- Release 1 is a live use of the system (no parallel operations)
- Items in Release 1 are managed solely using the new solution (processes, organization, jobs/roles, application, technology)
- Extended Supply Chain solution reaches from the Customer to the Supplier through collaborative planning/forecasting, web-enabled order fulfillment, and web-enabled procurement/contracting
- Release 1 addressing unique challenges of federal procurement/contracting on an accelerated basis, leveraging the PD2/SPS solution that can be adopted by all services
- Customers and Suppliers will be involved in Release 1 and given assistance in how to work with DLA in this collaborative environment



**BSM is not a technology driven systems replacement,  
nor an ERP driven process re-engineering exercise...**

***BSM is a business outcome based  
logistics business enterprise transformation,  
driven by a fundamental cultural shift to best serve its  
customers!***



**If You're Not Keeping Score...**

***...You're Just Practicing!***